

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6597

BILL NUMBER: SB 558

NOTE PREPARED: Jan 2, 2015

BILL AMENDED:

SUBJECT: Land Classification for Tax Purposes.

FIRST AUTHOR: Sen. Delph

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill specifies the criteria for classifying land as agricultural land for property tax assessment purposes. The bill provides that certain undeveloped lands must be assessed as agricultural land regardless of the motives of the owner at the time the owner acquired the land, the zoning designation of the land, or whether the owner uses the land for growing crops or raising livestock or is otherwise engaged in the business of farming.

The bill requires assessing officials to review for compliance with the new criteria the assessments of lands that had been classified as excess residential property for the 2005 through 2015 assessment dates and to reclassify as agricultural land as necessary for the 2016 assessment date. It authorizes refunds for excessive tax payments attributable to the reclassification of land during that period.

The bill also provides that the limitations on contracts for the discovery of undervalued or omitted property apply to a contract concerning the reclassification of parcels, including the prohibition on contracts paid on a percentage basis.

Effective Date: Upon passage.

Explanation of State Expenditures: The Department of Local Government Finance (DLGF) is required to prescribe a refund form under this bill. The DLGF should be able to complete this task in the normal course of business within existing resources.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill will result in the reclassification of up to 350,000 acres of land, statewide, from excess residential to farmland. The reclassifications will affect property that was reclassified from agricultural land to excess residential beginning with the March 1, 2005, assessment date. Taxpayers whose land will be reclassified under this bill are entitled to claim a refund for excess taxes paid in 2006 through 2016. Total refunds could be as high as \$87 M. Property Tax refunds reduce current year property tax distributions to taxing units.

On an ongoing basis, the reclassification could lead to tax shifts of about \$15 M per year from taxpayers with land assessed as farmland under this bill to all other taxpayers. This amount would be reduced if local assessors again classify some of this land as excess residential acreage after following the process set out in the bill which includes a notice of change at least 180 days prior to the assessment date and a hearing upon the taxpayer's request.

These are estimates of the maximum impact of this bill. The actual impact may be lower in some counties. The estimates are affected by limitations in the data. While this bill pertains only to land reclassified from farmland to residential acreage, the analysis uses the amount of new excess residential acreage each year without regard to the original classification.

A table with estimated impacts by county appears at the end of this fiscal note. Available data on land classifications begins in pay year 2007 in 79 counties, 2008 in 5 counties, 2009 in 6 counties, and 2010 in 2 counties. The table notes the base year used for each county.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Local assessors; County auditors; Local civil taxing units and school corporations.

Information Sources: County assessor land files.

Fiscal Analyst: Bob Sigalow, 317-232-9859.

Excess Residential Acreage

Cnty	County	Base Data Year	Pay 2015 Acreage	Increased Acreage	Potential AV Loss	Potential Annual Tax Shift	Potential Refund
01	Adams	2007	3,836	582	969,600	20,400	175,100
02	Allen	2007	29,732	6,801	43,932,600	1,278,000	7,341,500
03	Bartholomew	2007	6,270	5,679	17,151,600	377,300	2,625,600
04	Benton	2007	1,308	249	276,500	3,200	21,600
05	Blackford	2007	2,691	1,042	2,107,400	56,800	226,300
06	Boone	2007	16,649	10,012	55,968,100	1,127,600	6,237,400
07	Brown	2007	49,926	3,852	9,825,900	105,600	835,900
08	Carroll	2007	5,589	3,504	3,241,000	45,100	349,100
09	Cass	2007	5,855	2,497	2,047,400	56,400	332,700
10	Clark	2009	13,109	1,596	2,117,300	55,500	362,400
11	Clay	2007	7,186	3,404	718,100	11,800	117,200
12	Clinton	2007	3,827	1,255	2,818,600	58,500	526,200
13	Crawford	2008	7,964	784	240,300	6,600	86,000
14	Daviess	2009	4,498	237	467,000	10,400	47,100
15	Dearborn	2007	10,862	1,998	5,911,800	128,700	739,500
16	Decatur	2007	3,190	305	464,100	7,600	74,700
17	DeKalb	2007	8,951	2,711	9,915,500	199,400	832,100
18	Delaware	2007	15,787	6,640	18,135,000	625,200	3,098,600
19	Dubois	2007	19,879	13,954	36,001,600	713,800	5,034,200
20	Elkhart	2010	35,537	14,023	52,718,300	1,503,300	5,534,200
21	Fayette	2007	2,548	194	0	0	3,000
22	Floyd	2007	19,232	11,613	18,432,800	387,200	1,898,600
23	Fountain	2008	9,163	8,081	12,974,900	190,400	657,400
24	Franklin	2007	6,449	521	783,900	11,200	110,700
25	Fulton	2007	3,629	785	7,000	100	22,600
26	Gibson	2007	3,563	525	2,782,300	56,500	385,200
27	Grant	2009	12,625	3,419	5,147,800	137,300	769,800
28	Greene	2007	9,222	378	338,200	6,900	62,300
29	Hamilton	2007	17,257	96	1,738,500	39,200	258,800
30	Hancock	2009	6,275	215	953,400	23,000	95,300
31	Harrison	2009	13,829	4,738	5,418,400	66,400	720,300
32	Hendricks	2007	25,227	13,310	37,172,500	940,400	8,967,300
33	Henry	2007	4,215	278	911,100	23,000	169,900
34	Howard	2007	5,481	4,355	8,316,000	262,700	1,310,900
35	Huntington	2007	18,323	12,738	10,291,300	232,000	1,231,700
36	Jackson	2007	3,643	344	879,800	17,400	122,400
37	Jasper	2007	20,613	8,498	6,397,200	71,300	415,500
38	Jay	2009	3,903	143	135,900	3,100	16,700
39	Jefferson	2007	6,077	577	54,800	1,200	44,700
40	Jennings	2007	13,547	1,551	1,113,100	24,300	409,900
41	Johnson	2007	14,577	357	3,530,000	78,500	472,000
42	Knox	2007	5,170	1,262	854,400	17,400	266,700
43	Kosciusko	2007	15,887	5,454	8,942,200	124,900	903,200
44	LaGrange	2007	7,934	1,219	1,093,200	14,300	112,200
45	Lake	2007	30,318	0	0	0	0
46	LaPorte	2007	25,100	10,556	19,240,700	408,900	4,165,000

Excess Residential Acreage

Cnty	County	Base Data Year	Pay 2015 Acreage	Increased Acreage	Potential AV Change	Potential Annual Tax Shift	Potential Refund
47	Lawrence	2007	7,013	440	911,900	23,200	137,100
48	Madison	2007	10,244	1,074	274,000	9,300	177,900
49	Marion	2007	16,665	1,477	10,919,300	302,900	1,419,100
50	Marshall	2007	18,248	14,464	26,258,000	446,300	1,121,200
51	Martin	2007	4,697	1,487	1,499,800	24,800	133,400
52	Miami	2007	7,210	2,108	692,200	15,500	89,600
53	Monroe	2008	25,488	3,449	6,688,900	119,900	631,800
54	Montgomery	2007	6,634	1,232	2,410,700	51,100	276,000
55	Morgan	2007	28,024	137	592,200	8,100	75,300
56	Newton	2008	3,347	133	165,300	3,100	20,100
57	Noble	2007	15,362	2,150	6,824,900	138,000	984,200
58	Ohio	2007	2,861	1,744	2,065,600	22,100	157,700
59	Orange	2007	8,689	202	344,500	5,400	43,800
60	Owen	2007	10,965	1,039	0	0	16,700
61	Parke	2007	3,406	1,387	2,737,200	37,100	349,200
62	Perry	2007	8,206	3,700	3,828,700	99,700	1,278,900
63	Pike	2007	5,450	534	678,200	13,300	82,200
64	Porter	2010	25,169	14,651	116,851,200	2,509,100	10,164,200
65	Posey	2007	10,437	8,261	753,800	12,400	224,300
66	Pulaski	2007	3,358	626	713,800	8,100	65,900
67	Putnam	2007	10,280	1,387	3,971,500	63,100	304,600
68	Randolph	2007	3,935	834	1,255,100	26,500	120,700
69	Ripley	2007	4,174	278	270,100	3,900	33,700
70	Rush	2007	2,216	25	67,700	1,200	10,500
71	St. Joseph	2008	14,373	2,417	3,325,500	129,100	691,400
72	Scott	2007	7,130	208	533,400	12,900	136,600
73	Shelby	2007	8,562	0	0	0	0
74	Spencer	2007	13,457	2,883	760,900	11,400	176,000
75	Starke	2007	29,739	20,961	0	0	217,100
76	Steuben	2007	10,078	5,899	13,572,400	169,800	1,490,600
77	Sullivan	2007	6,030	265	0	0	3,000
78	Switzerland	2007	4,475	262	87,100	1,100	16,500
79	Tippecanoe	2007	17,517	2,405	1,809,700	37,800	265,000
80	Tipton	2007	1,281	609	1,387,800	20,700	95,600
81	Union	2007	2,543	843	235,700	4,900	53,700
82	Vanderburgh	2007	20,585	8,594	2,214,600	64,400	1,005,900
83	Vermillion	2007	10,356	7,785	0	0	14,900
84	Vigo	2007	9,711	2,604	2,894,300	88,100	621,300
85	Wabash	2007	10,827	1,337	1,852,400	33,400	207,100
86	Warren	2007	2,504	676	559,400	6,800	42,800
87	Warrick	2007	70,557	56,993	32,278,100	518,200	4,688,500
88	Washington	2007	18,254	1,146	2,136,200	42,900	165,900
89	Wayne	2007	9,512	780	1,043,000	28,400	182,300
90	Wells	2007	7,940	507	2,403,200	33,400	277,200
91	White	2007	4,117	400	720,400	9,300	65,100
92	Whitley	2007	13,137	656	1,530,900	25,700	162,800
			1,091,216	353,381	672,656,700	14,711,200	86,686,900